

**TRANSPORTATION. DISTRIBUTION OF EXISTING MOTOR  
VEHICLE SALES AND USE TAX. INITIATIVE STATUTE.**



## OFFICIAL TITLE AND SUMMARY

*Prepared by the Attorney General*

**TRANSPORTATION. DISTRIBUTION OF EXISTING MOTOR VEHICLE SALES AND USE TAX.  
INITIATIVE STATUTE.**

- Creates “Traffic Congestion Relief and Safe School Bus Trust Fund.”
- Redistributes portion of existing state revenues from motor vehicle sales/leases from General Fund to Trust Fund for transportation, environmental, and safety programs.
- Allocates portion of these funds for: school bus safety; clean air programs; highway improvements; mass transit improvements including bus purchase, commuter and light rail expansion.
- Provides funds for environmental enhancement programs and traffic mitigation programs.
- Allocates money to 45 specific projects. For remainder of Trust Fund, specifies distribution percentages, restricts fund uses, requires accountability mechanisms.

**SUMMARY OF LEGISLATIVE ANALYST’S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT  
FISCAL IMPACT:**

- Redirects specified General Fund revenues to state and local transportation-related purposes of about \$420 million in 2002–03, \$910 million in 2003–04, and increasing amounts annually thereafter, depending on the increase in the sale and leasing of motor vehicles.

## ANALYSIS BY THE LEGISLATIVE ANALYST

## BACKGROUND

California levies a state sales tax of 6 percent on most goods sold in the state. (Local governments levy additional sales taxes, which are used for local purposes.) In 2000–01, California collected about \$27 billion in state sales tax revenues, including about \$3.4 billion from the sale and lease of new and used motor vehicles.

Most of the revenues from the *state* sales tax go to the state General Fund, and are available for a variety of programs, including education, health, social services, and corrections. Less than 1 percent of the state sales tax revenue is dedicated to transportation purposes. Beginning in 2003–04, most of the state sales tax revenue generated from the sale of gasoline also will be used exclusively for transportation. As a result, about 4.5 percent of state sales tax revenues will be dedicated for transportation purposes.

California spends about \$16.5 billion a year to maintain, operate, and improve its highways, streets and roads, rail and transit systems. This money comes primarily from federal and state taxes (including state sales tax) on gasoline and diesel fuel, truck weight fees, and local taxes.

## PROPOSAL

This measure redirects to transportation-related purposes 30 percent of the sales tax revenue from the lease and sale of new and used motor vehicles that currently goes to General Fund supported programs. Under the measure, these revenues would continue to be deposited in the General Fund and then transferred to a new Traffic Congestion Relief and Safe School Bus Trust Fund. The money in this new fund would be used for the purposes shown in Figure 1. These purposes include mass transit and highway improvements, replacement of certain existing school buses, local street and road repairs, public facilities for transit riders, senior and disabled transportation services, environmental mitigation, and bicycle and pedestrian improvements. The measure also identifies 45 transportation and environmental projects around the state that would receive specified amounts of money each year. These projects would receive a total of about \$210 million in 2003–04, decreasing over time.

The measure requires money in the new fund to be transferred back to the General Fund in any year in which total General Fund revenues are less than those in the previous year. Additionally, the measure requires the transfer of a smaller amount from the General Fund to the new fund if the growth in General Fund revenues over the previous year is smaller than the amount to be transferred.

Agencies that are allocated money from the new fund can spend up to 2 percent of the money for administrative costs.

FIGURE 1

TRAFFIC CONGESTION RELIEF  
AND SAFE SCHOOL BUS TRUST FUND

Distribution of Funds	Percent of Funding
<b>Passenger Rail and Bus Transit</b>	<b>48%</b>
• Construction and improvement of transit facilities and purchase of transit vehicles.	33
• Passenger rail operations, construction, and improvement, and modernization of passenger rail infrastructure.	8
• Grants to improve public facilities for new development near rail or bus transit stations.	3
• Grants to provide transportation to seniors and disabled persons.	2
• Transit assistance to counties with populations less than 250,000 to improve mobility of people who cannot drive.	2
<b>Traffic Congestion and Safety</b>	<b>25%</b>
• Traffic Congestion Relief Program projects and other highway and street projects to improve traffic flow.	16
• Grants for highway safety projects.	5
• Projects to separate rail lines from streets and highways.	4
<b>Environmental</b>	<b>15%</b>
• Wildlife habitat and land acquisition to mitigate environmental effects of transportation improvements.	10
• Grants for diesel emission reduction.	3
• Water pollution reduction projects to mitigate water quality impact of transportation improvements.	2
<b>School Bus</b>	<b>8%</b>
• Grants to replace older school buses and increase fleet size.	8
<b>Bicycle and Pedestrian</b>	<b>4%</b>
• Regional projects to improve convenience and safety of bicycle travel and bicycle education programs.	2
• Regional sidewalk and walkway projects.	1
• Grants to enforce traffic safety laws along pedestrian and bicycle routes, and to educate the public on safe travel to school.	1
<b>Total</b>	<b>100%</b>

The measure also requires an audit of expenditures from the fund, to be conducted by a new, independent commission.

## FISCAL EFFECTS

This measure dedicates specified General Fund revenues to state and local transportation-related purposes of about \$420 million in 2002–03, \$910 million in 2003–04, and increasing amounts annually thereafter, depending on the increase in the sale and leasing of motor vehicles. This would result in a corresponding reduction in funds available for General Fund supported programs.

This measure would also result in additional unknown administrative costs to various state and local agencies. These costs would likely be covered by the amounts that the measure allows each entity to spend for administrative purposes.



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**ARGUMENT IN FAVOR OF PROPOSITION 51**

*Yes on 51 for Safe Roads, Safe School Buses and Congestion Relief!*

YES ON 51 dedicates EXISTING automobile sales taxes to fixing serious highway safety problems and severe traffic congestion. For too long, critical transportation and school bus safety matters have been pushed aside by special interests in the State Capitol.

YES ON 51 requires the use of EXISTING state funds to:

- Relieve traffic congestion and make safety improvements to California's most accident-prone roads.
- Improve school bus safety, and provide safe routes for children walking or biking to school.
- Make road improvements that assist police, fire and ambulance emergency teams and protect highway workers.
- Reduce oil and gas pollution from roads and streams.
- Strengthen bridges to prevent earthquake damage.
- Improve public transit to reduce traffic on roads and to improve mobility for seniors and the disabled.

YES ON 51 IS SUPPORTED BY:

- School Transportation Coalition.
- Partners for Highway Safety.
- The Transit Coalition.
- California Safe Kids Network.
- California Organization of Police and Sheriffs (COPS).

YES ON 51 INCLUDES STRICT TAXPAYER SAFEGUARDS that:

- Forbid using any state education funds for this measure.
- Limit administrative expenses to 2%.
- Mandate Annual Audits and an Oversight Committee.
- Do NOT raise taxes one cent!

These Strict Taxpayer Safeguards ensure Prop. 51 funds will be spent ONLY as promised and without waste.

YES ON 51 MEANS SAFER ROADS. "YES ON 51 specifically funds improvements to California's most dangerous roads, bridges and intersections."—*Partners for Highway Safety*

YES ON 51 MAKES SCHOOL BUSES SAFER. "YES ON 51 will replace thousands of school buses which do not meet federal

safety and pollution standards, so kids can ride to school in safety."—*California Association of School Transportation Officials*

YES ON 51 RELIEVES CONGESTION. "Prop. 51 will relieve California's worst traffic congestion areas, improving traffic flow and making highways safer. Traffic is getting worse every day. We must do something now to reduce congestion."—*Planning and Conservation League*

YES ON 51 CLEANS OUR WATER. "Road oil and grease pollute our water. Prop. 51 reduces water pollution, protecting people and wildlife."—*National Wildlife Federation*

YES ON 51 GETS KIDS TO SCHOOL SAFELY. "Prop. 51 will improve walk path and bike path safety on routes to school, and provides clean air school buses to protect children's health."—*California School Nurses Organization*

YES ON 51 IMPROVES AIR QUALITY. "Prop. 51 reduces air pollution by improving public transit. Cleaner air means healthier lungs for everyone and fewer childhood asthma attacks and other diseases."—*American Lung Association of California*

YES ON 51 HELPS SENIORS AND THE DISABLED. "Prop. 51 expands safe and affordable transit services for seniors and the disabled, allowing those who cannot drive to continue to live independently."—*Resources for Independent Living*

YES ON 51 IMPROVES EMERGENCY RESPONSE. "Prop. 51 will make specific road improvements that assist police, firefighters, paramedics and emergency response personnel in reacting quickly in a crisis to save lives."—*California Organization for Police and Sheriffs*

Learn more: [www.voteyesonprop51.org](http://www.voteyesonprop51.org)

YES ON PROPOSITION 51!

LIEUTENANT ED GRAY, *President*

*California Organization of Police and Sheriffs (COPS)*

KIRK HUNTER, *Co-Chair*

*School Transportation Coalition*

PAUL BURRIS, *President*

*Partners for Highway Safety*

**REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 51**

Does anyone still believe there is a free lunch?

The proponents of Proposition 51 apparently think so.

Their list of pork barrel, special interest projects totaling billions of dollars apparently will come from "existing funds."

Well, Proposition 51 will add about \$1 billion yearly to a significant state deficit predicted by the Legislative Analyst for years to come.

So, "use of existing funds" means one of two things: either critical spending, like public safety or higher education, is cut.

Or, taxes will have to be raised.

There is no free lunch.

Ask yourself these questions before you vote on Proposition 51:

With ongoing budget deficits, should your tax dollars be spent to build paths for golf carts at Leisure World? That spending is LOCKED into Prop. 51.

With ongoing budget deficits, should the state fund freeway interchanges for developers who paid to put Prop. 51 on the ballot? A freeway interchange for a campaign contributor

proposing a large development in LA County is LOCKED into Prop. 51.

Do you think taxes should be raised or programs cut to build and maintain museums and a music concourse? Or should private funds pay for these luxury projects? Prop. 51 REQUIRES taxpayer spending on these projects.

Do you think priorities for your tax dollars should be determined by special interests which *receive* your tax dollars? Prop. 51 has numerous projects which benefit specific contributors.

Say no to this "pay to play" scheme. Don't add \$1 billion yearly to the deficit. Vote NO on 51!

JON COUPAL, *President*

*Howard Jarvis Taxpayers Association*

LENNY GOLDBERG, *Executive Director*

*California Tax Reform Association*

LEWIS K. UHLER, *President*

*National Tax Limitation Committee*

## ARGUMENT AGAINST PROPOSITION 51

Why do taxpayer and government reform groups in California oppose Proposition 51?

Because it violates the principles of sound tax and spending policy, and key principles of good government.

In the midst of a multi-billion dollar state budget problem, Proposition 51 ties up the state budget forever with 17 new categories of required spending.

This initiative does not provide any new funds, but earmarks nearly \$1 billion of your tax dollars each year for a long list of programs and projects.

Without consideration of other budgetary priorities, Proposition 51 locks in spending even on nonessential projects which in tough times may have to take a back seat to other needs.

Accountability? The public and its elected representatives will have no voice if priorities need to be changed in future years. Health and social services, local government, higher education, or public safety might have to be cut or taxes raised to deal with budgetary pressures such as inflation, growth, or changes in federal funding. But Proposition 51 programs would be *exempt* from scrutiny.

The proponents claim that the measure won't take effect during bad budget times. But according to the California Budget Project, if Proposition 51 were the law now, it would be in effect for 2002–03, when the budget was nearly \$24 billion in debt. It would have made this year's budget crisis much worse. So much for budget protections.

There are 45 specific projects written into this initiative with little accountability, many of which benefit contributors to Proposition 51.

Example: A powerful Texas developer gets \$30 million in grade crossings constructed to serve their development. The

developer contributed \$120,000 to get Proposition 51 on the ballot. This project was not a priority for a local transportation program. (Source: *Riverside Press Enterprise*).

In all, these special projects add up to a whopping \$1.2 billion while a dozen others receive millions in funding every year, *forever*.

Still worse, the state is obligated to spend this money even if it means raising taxes or cutting vital services, such as children's health care and fire protection, during tough budget times.

For example, this initiative requires spending for projects, such as \$40 million for improvements to a music concourse area and funding for a vintage rail line, that would likely go unfunded by the Legislature during a budget crisis.

Those of us who oppose Proposition 51 have very diverse views about state spending and taxes. But all of us agree that Proposition 51 is bad tax and budget policy.

We all agree that as times change, or in a budget crisis, spending priorities have to be changed. But instead, Proposition 51 ties up your tax dollars so that the ability to make the right choices is impossible.

Don't allow \$1 billion of your tax dollars to be isolated from the democratic budget process every year.

We urge you to reject Proposition 51.

BARBARA INATSUGU, *President*

*League of Women Voters of California*

LENNY GOLDBERG, *Executive Director*

*California Tax Reform Association*

LEWIS K. UHLER, *President*

*National Tax Limitation Committee*

## REBUTTAL TO ARGUMENT AGAINST PROPOSITION 51

YES ON 51 lets you—the voter—take immediate action to address critical safety problems with California's roads, school buses, and walk paths to school.

*The Legislature has refused to dedicate these funds to highway safety and congestion relief. The problems keep getting worse. We can't afford to wait.*

PROPOSITION 51 DOES NOT RAISE TAXES. It dedicates EXISTING automobile sales taxes to *immediate* road and highway safety improvements, safety for children going to school, safe transportation for seniors and the disabled, and traffic congestion relief.

SAFER ROADS SAVE LIVES. "PROPOSITION 51 saves lives by fixing California's most dangerous roads and intersections. It will improve emergency response time when firefighters and paramedics rush to accidents."—*Sacramento Fire Chief Dennis Smith*

SAFETY FOR KIDS. "YES ON 51 protects children's health by replacing polluting and unsafe school buses and making safety improvements to bike paths and walkways."—*California Nurses Association*

SAFER ENVIRONMENT. YES ON 51 relieves congestion by repairing dangerous roads and improving public transportation, reducing auto emissions and cleaning the air.

PROTECT EDUCATION. YES ON 51 is supported by school districts and Superintendent of Public Instruction Delaine Eastin because it PROTECTS the state education budget while improving the safety of school children.

TAXPAYER SAFEGUARDS. YES ON 51 requires Annual Audits and an independent oversight committee, ensuring your taxes go for traffic safety and congestion relief. Prop. 51 will be suspended during a major budget crisis.

We must address traffic safety and congestion now with existing funds, or it will cost more later.

DANA ROSE, *State Coordinator*

*California Safe Kids Network*

DR. JOHN BALMES, M.D.

*American Lung Association of California*

ARTURO VENEGAS, JR., *Chief of Police*  
*City of Sacramento*